

PUBLIC DISCLOSURE

MAY 1, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PEOPLES COMMUNITY CREDIT UNION

319 NORTH MAIN STREET
LEOMINSTER, MASSACHUSETTS 01453

DIVISION OF BANKS
1 SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **PEOPLES COMMUNITY CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

A CRA rating of "Outstanding" is assigned. A community credit union in this group has an excellent record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income borrowers, in a manner consistent with its resources and capabilities.

Peoples Community Credit Union's rating of "Outstanding" is based upon the following performance criteria.

The credit union's average net loan-to-share for the previous four semi-annual periods is 80.6 percent and exceeds the standards for satisfactory performance at this time.

Lending within the assessment area represented 92.3 percent and is considered to exceed the standards of satisfactory performance.

For 2001, 2002 and year-to-date May 1, 2003, analysis of the credit union's consumer lending activity by borrower income revealed that 28.3 percent of a sample of consumer loan originations was granted to low-income members and 36.7 percent was granted to moderate-income members. A rating of exceeds satisfactory performance was granted for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Peoples Community Credit Union is a community-based credit union chartered by the Commonwealth of Massachusetts in 1937. The credit union was established to serve the credit needs of the Foster Grant Company employees. The credit union's sole office is located at 319 North Main Street Leominster, Massachusetts. The credit union's current office hours are Monday through Wednesday 9:00AM to 4:00PM, Thursday, 9:00AM to 6:00PM, Friday 9:00AM to 5:00PM and Saturday, 9:00AM to 12:00PM. The credit union's office hours are considered convenient and accessible to its members.

As of December 31, 2002, the institution's total assets were \$13,948,507, with total loans representing \$9,239,179 or 66.2 percent of total assets. The majority of the credit union loan portfolio (92.2%) represents new and used auto loans. The following table depicts the credit union's loan portfolio composition based on the December 31, 2002 NCUA Call Report of Condition.

Loan Portfolio Composition		
Loan Type	Amount \$(000)	%
New Vehicle	3,945	42.7
Used Vehicle	4,569	49.5
Personal Loans	524	5.8
Home Improvement	70	0.7
Other Loans	131	1.3
Total	9,239	100%

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments.

The credit union does not offer residential mortgages; however, potential borrowers are referred to Cumex Mortgage Service Center, which offers several loan products, including flexible lending terms for first-time homebuyers.

Competition within the credit union's assessment area includes a variety of community based and industrial credit unions, small loan companies, and community banks. Given its asset size and financial capacity, Peoples Community Credit Union has been very successful in helping to meet the credit needs of its assessment area/ membership.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks in March 30, 1998. That examination resulted in an outstanding rating.

Description of Assessment Area

Peoples Community Credit Union has defined its assessment area as the Cities of Leominster, Fitchburg, Gardner, and Westminster located within the Fitchburg-Leominster Metropolitan Statistical Area (MSA); Lancaster located within the Boston, Massachusetts-New Hampshire MSA; and Clinton located within the Worcester, Massachusetts-Connecticut MSA.

In reference to the table below, the credit union's assessment area includes 29 census tracts. One census tract or 3.4 percent is designated as low-income; 7 or 24.1 percent census tracts are designated moderate-income; 11 or 37.9 percent are designated as middle-income and 3 or 10.3 percent are designated as upper-income. The one low-income census tract is located within the City of Fitchburg representing the Cleghorn neighborhood and the one census tract designated "N/A" represents Fitchburg State College.

Assessment Area by Census Tract Income Level

Location	N/A	Low	Moderate	Middle	Upper	Total
Leominster	0	0	2	4	2	8
Clinton	0	0	0	3	0	3
Fitchburg	1	1	3	6	0	11
Gardner	0	0	2	3	0	5
Lancaster	0	0	0	1	0	1
Westminster	0	0	0	0	1	1
Total	1	1	7	17	3	29

1990 Census Data

Housing information based on 1990 census data on the credit union's assessment area indicated a median owner-occupancy level of 51.0 percent and a median home value of \$125,434. The minority population within the assessment area represented 11 percent with individuals of Hispanic origin constituting the majority with 7 percent. The Department of Housing and Urban Development (HUD) Estimated Median Family Household Incomes (FHI) for the Fitchburg-Leominster MSA was \$57,200 for 2001, \$60,900 for 2002 and \$62,100 for 2003. The Boston, Massachusetts-New Hampshire MSA median income was \$70,000 for 2001, \$74,200 for 2002 and \$80,800 for 2003. The Worcester, Massachusetts-Connecticut MSA median income was \$57,000 for 2001, \$58,400 for 2002 and \$68,000 for 2003.

The credit union's membership (per its bylaws) is limited to persons and their families, who reside, have business or are employed by companies and affiliates of such companies located in Worcester, Middlesex, Hampden and Hampshire counties. Non-members may have joint accounts with members for the purpose of deposits and withdrawals. It is noted that the credit union has changed its assessment area to include the six cities described above per a vote by the Board of Directors during the current examination.

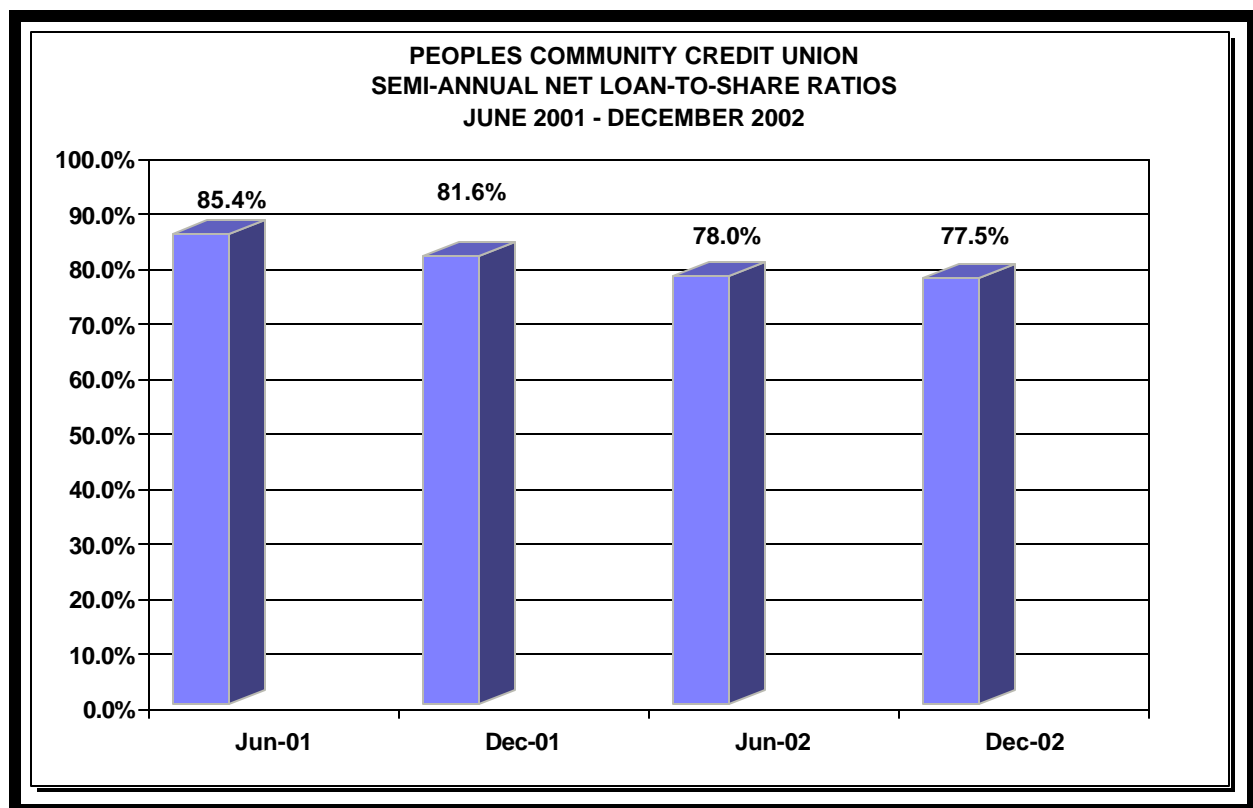
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT (SHARE) ANALYSIS

The first criterion evaluated is the credit union's net loan to total deposit (share) ratio. The average net loan to total deposit ratio was determined to be 80.6 percent and is considered to exceed the standards for satisfactory performance for this criterion.

A comparative analysis of Peoples Community Credit Union's net loan-to-shares for the period June 30, 2001 through December 31, 2002 was conducted. The analysis incorporated net loans to total deposit figures from the institution's NCUA Call Report of Condition. It is noted that the credit union began filing the NCUA Call Reports of Condition on a quarterly basis as of September 2002. However, for the purpose of this examination, analysis is based on semi-annual reporting.

The following graph illustrates the loan to share trends.



Source: NCUA Call Reports

As indicated by the above graph, the loan-to-share ratio appears to be on a decreasing trend. In discussions with management, it was stated that the current lower interest rates have resulted in early loan pay-offs; in addition competition from auto dealerships offering zero percent and other extremely low-interest rating financing has resulted in a decrease

in the number of auto loans originated. Both factors have contributed to a reduction in the loan to deposit ratio.

The following table illustrates the loan-to- deposit (share) ratios, as of December 2002, for comparable community credit unions of similar asset size. Peoples Community Credit Union's loan-to-share ratio is in a strong position when compared to these other institutions.

Comparative Loan to Deposit (Share) Ratios	
Peoples Community Credit Union	77.5%
St. Anne Credit Union	86.9%
Andover Credit Union	54.1%

Given its significant average loan-to-deposit (share) ratio of 80.6 percent and the credit union's strong standing in comparison to other community credit unions with similar asset sizes, Peoples Community Credit Union has demonstrated a willingness to lend to its membership. Considering its capacity to lend, its asset size, the types of loans available, its limited resources and lending strategy, the credit union 's loan to deposit ratio exceeds the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

Peoples Community Credit Union's level of lending within the assessment area was determined to exceed the standards of satisfactory performance.

Peoples Community Credit Union originated 547 consumer loans totaling \$5,142,601 in 2001, 599 loans totaling \$5,536,487 in 2002 and 184 loans totaling \$2,073,572 for YTD 2003.

A sample of consumer loans extended inside and outside of the assessment area was analyzed by number and dollar amount. A total of 65 loans were analyzed for location. A substantial percentage or 92.3 percent was extended inside the assessment area. Consumer lending data was obtained from the credit union's in-house files.

The following information illustrates the credit union's willingness to lend within its assessment area. The majority of consumer originations was for purchases of new or used vehicles. A total of 60 or 92.3 percent of the 65-loan sample was originated within the credit union's assessment area, which represents a substantial majority. The City of Leominster represented the majority of consumer loan originations with 38 or 58.5 percent, followed by the City of Fitchburg with 24.6 percent.

Consumer Lending Activity Inside and Outside the Assessment Area by Number

Location	2001		2002		Y-T-D 2003		Total	
	#	%	#	%	#	%	#	%
Leominster	14	56.0	18	72.0	6	40.0	38	58.5
Fitchburg	8	32.0	3	12.0	5	33.3	16	24.6
Gardner	0	0.0	0	0.0	1	6.7	1	1.5
Westminister	1	4.0	0	0.0	2	13.3	3	4.6
Lancaster	0	0.0	1	4.0	1	6.7	2	3.1
Clinton	0	0.0	0	0	0	0.0	0	0.0
Inside Assessment Area	23	92.0	22	88.0	15	100.0	60	92.3
Outside Assessment Area	2	8.0	3	12.0	0	0.0	5	7.7
Total	25	100%	25	100%	15	100%	65	100%

Source: In-house records 2001, 2002 and YTD May 1, 2003

A review of Peoples Community Credit Union's consumer loan originations by dollar amount was also conducted during the examination. Of the total dollar amount of the consumer loan sample representing \$843,000, \$773,000 or 91.7 percent was originated within the credit union's assessment area.

Consumer Lending Activity Inside and Outside the Assessment Area by Dollar Amount

Location	2001		2002		Y-T-D 2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
Leominster	214	58.6	232	79.2	60	32.4	506	60.0
Fitchburg	106	29.0	17	5.8	55	29.7	178	21.1
Gardner	0	0.0	0	0.0	14	7.6	14	1.7
Westminister	16	4.4	0	0.0	41	22.2	57	6.8
Lancaster	0	0.0	3	1.0	15	8.1	18	2.1
Clinton	0	0.0	0	0.0	0	0.0	0	0.0
Inside Assessment Area	336	92.1	252	86.0	185	100	773	91.7
Outside Assessment Area	29	7.9	41	14.0	0	0.0	70	8.3
Total	365	100%	293	100%	185	100%	843	100%

Source: In-house records 2001, 2002 and YTD May 1, 2003

Peoples Community Credit Union's loan distribution reflects an excellent distribution within its assessment area. Therefore, the institution's performance in lending within its assessment area exceeds satisfactory standards.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

An analysis of originated consumer loans according to the income level of the borrower was conducted. Originations within the assessment area were categorized by the ratio of the applicant's reported income to the 2001, 2002 and year-to-date 2003 Massachusetts Statistical Area (MSA) incomes. The credit union's assessment area includes cities and towns located within the Fitchburg-Leominster MSA, the Boston-New Hampshire MSA and the Worcester, Massachusetts-Connecticut MSA. The median family incomes are described in the Performance Context.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

A sample of 60 consumer loans originated within the credit union's assessment area were reviewed to determine the income level of the applicant.

The information in the table below indicates that 36.7 percent of loans within the sample were made to moderate-income individuals and 28.3 percent were made to low-income individuals.

Consumer Loan Originations by Income of Borrower by Number

% of Median MSA Income	2001		2002		Y-T-D 2003		Total	
	#	%	#	%	#	%	#	%
<50%	5	21.8	8	36.4	4	26.7	17	28.3
50% - 79%	9	39.1	7	31.8	6	40.0	22	36.7
80% - 119%	8	34.8	5	22.7	4	26.7	17	28.3
120%<	1	4.3	2	9.1	1	6.6	4	6.7
Total	23	100%	22	100%	15	100%	60	100%

Source: In-house records 2001, 2002 and YTD May 1, 2003

Loans were also analyzed according to dollar amount to determine the distribution by borrower income. The table below indicates that the highest number of originations by dollar amount, or 38.2 percent was granted to middle-income members. Of the total consumer loan sample, 18.9 percent was granted to low-income members and 28.9 percent to moderate-income members.

Consumer Loan Originations by Income of Borrower by Dollar Amount

% of Median MSA Income	2001		2002		Y-T-D 2003		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	47	14.1	78	31.0	21	11.4	146	18.9
50% - 79%	108	32.1	44	17.4	72	38.9	224	28.9
80% - 119%	153	45.5	64	25.4	78	42.2	295	38.2
120%<	28	8.3	66	26.2	14	7.5	108	14.0
TOTAL	\$336	100%	252	100%	185	100%	773	100%

Source: In-house records 2001, 2002 and YTD May 1, 2003.

The distribution of the credit union's consumer loans, according to borrower income is excellent, particularly the distribution by loan volume.

It should be stated that consumer loans typically consider the income of only one borrower. Therefore, the percentage of loans to low and moderate income borrowers is somewhat high, since incomes are compared to median family income.

Based on the above, the distribution of credit among different income levels exceeds the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The fourth performance criterion evaluates the institution's record of addressing the credit needs of the entire assessment area based on the geographic distribution of loans. Since the credit union does not collect census tract data on consumer loans, no evaluation was possible.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

A review of the public comment file revealed that the credit union received no complaints pertaining to the institution's CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. In instances where personal financial issues may affect a positive credit decision the lending staff has tried to implement alternative lending strategies, under which potential borrowers may qualify.

The credit union's marketing activity includes placing information on its credit products and services in public view within the main lobby of its sole main office. The credit union also includes statement stuffers in correspondence sent out to the membership and there are brochures located in the credit union's lobby.

The credit union has shown substantial activity in assisting its membership with credit needs. There were several instances where the credit union entered into "work-out" agreements with members who were trying to reestablish their credit after bankruptcies and other situations, which resulted in flawed credit.

The criterion for the various types of credit offered, as well as the procedures for completing a loan application were reviewed during the examination. No practices intended to discourage applications were found.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

PEOPLES COMMUNITY CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **May 1, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.